



State of Arizona

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Governor Brewer: State of Arizona Can Do More to Boost Economy

Unveils Strategic Tax Reforms to Grow Jobs without Blowing Budget

PHOENIX – Governor Jan Brewer today announced a series of tax reforms to improve Arizona's position in the national and global economy.

Though intentionally narrower in scale and scope than last year's historic Economic Competitiveness Package, these reforms build upon its momentum and target remaining areas of the Arizona tax code where it is believed the state has lagged nationally and regionally, hindering Arizona's ability to draw capital investment and spur job creation.

Specifically, Governor Brewer's proposals target improvements in the areas of Personal Property Tax and Corporate Income Tax. She also announced plans to form of a task force of experts to study ways to simplify the state Transaction Privilege Tax (sales tax) in order to alleviate taxpayer confusion and improve compliance. The task force, yet to be appointed, will issue its report of recommendations to the Governor, Speaker of the House and Senate President by December 31, 2012.

"The Economic Competitiveness Package put Arizona on the right path, and we're already reaping the rewards in the form of job growth and business expansion," said Governor Brewer. "Consider that just three years ago, in 2009, Arizona ranked 49th nationally in job growth. Today, according to the latest figures, our job growth ranks 7th in the nation. By developing a strong workforce and keeping state regulations lean and taxes competitive, we're going to continue putting in place the conditions needed to grow this economy."

The Economic Competitiveness Package included a mix of broad tax reductions and targeted incentives. Its provisions included:

- The creation of a Quality Jobs Program, with corporate tax credits of up to \$9,000 for each qualifying new job.
- An increase in the electable state corporate income-tax factor to 100 percent, encouraging firms to establish headquarters and manufacturing centers in Arizona.
- A four-year, phased-in reduction of the state's corporate income tax rate to 4.9 percent, beginning in January 2014.

- A 10 percent increase in the state's Research and Development tax credit, spurring more collaboration between Arizona universities and the private sector.
- A phased reduction in commercial, industrial, and agricultural property tax burdens and an increase in the property tax rebate percentage on owner-occupied homes.
- A 5 percent acceleration of the depreciation schedule for business personal property.

With today's announcement, the Governor will be pursuing additional tax reforms to build upon the Economic Competitiveness Package. Some details remain the subject of ongoing discussion with members of the Legislature, but Governor Brewer intends to pursue improvements in three main areas:

Personal Property Tax

- Exemption Indexing – Revising the statutory inflation index will give small businesses a larger tax exemption on their personal property.
- Acquisition Cost vs. Replacement Cost – Clarify the starting point for personal property valuation.
- Intangible Personal Property – Better define intangible personal property, such as software, in order to alleviate taxpayer confusion and frustration.

Corporate Income Tax

- Capital Gains – Pursue options to reduce the effective tax rate on capital gains from business growth. Arizona currently taxes capital gains like any other income, unlike the federal government and many other states.
- Net Operating Loss Carry-forward – Increasing the NOL carry-forward limit to allow businesses to offset some of their taxable income by taking into account recent years in which they operated at a net loss. Arizona currently allows a five-year carry-forward, while many competing states and the federal government allow a longer carry-forward.
- Elective Sales Factor for Services – Phase in an addition to Arizona's treatment of multi-state exporters of goods to include exporters of services as well.

Transaction Privilege Tax

- TPT Simplification Task Force – The Governor will establish a task force to study ways in which the state can simplify the Transaction Privilege Tax, reducing taxpayer confusion and improving compliance and efficiency. The task force report will be due to the Governor, Speaker of the House and Senate President by the end of the year.

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